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Reissued Audits

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Shreveport, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2000**

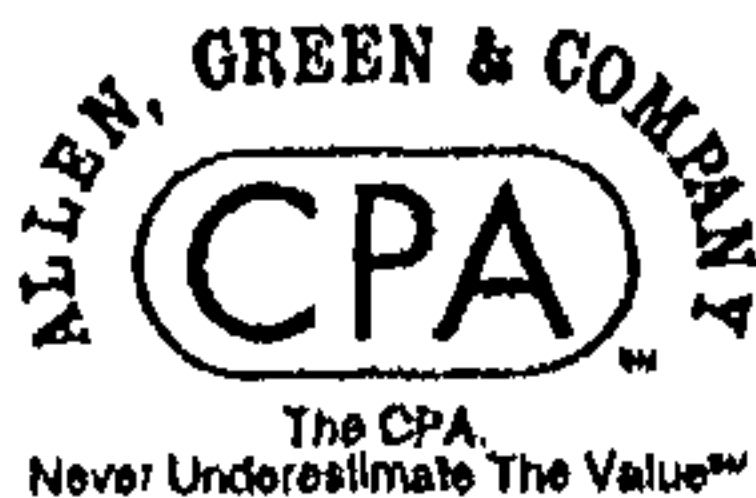
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 03/28/01

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence**

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INDEPENDENT AUDITORS' REPORT

Board Members

Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Shreveport, Louisiana

We have audited the accompanying GENERAL-PURPOSE FINANCIAL STATEMENTS of Sound Productions Unlimited, Inc., dba Right Step Academy of Excellence, Shreveport, Louisiana, (a nonprofit organization) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly in all material respects the financial position of the Academy as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2001, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying OTHER INFORMATION, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the Academy. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
January 11, 2001

**SOUND PRODUCTIONS UNLIMITED, INC. dba
RIGHT STEP ACADEMY OF EXCELLENCE**

**Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2000**

Statement A

	*****ACCOUNT GROUPS*****			
	GENERAL FUND	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 136,820	\$ 0	\$ 0	\$ 136,820
Receivables	53,047	0	0	53,047
Furniture and equipment	0	67,180	0	67,180
Other debits:				
Amount to be provided for retirement of Long-term debt obligations	0	0	1,734	1,734
TOTAL ASSETS AND OTHER DEBITS	189,867	67,180	1,734	258,781
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts, salaries and other payables	68,326	0	0	68,326
Compensated absences payable	0	0	1,734	1,734
Total Liabilities	68,326	0	1,734	70,060
Equity and Other Credits:				
Investment in general fixed assets	0	67,180	0	67,180
Unreserved:				
Undesignated	121,541	0	0	121,541
Total Equity and Other Credits	121,541	67,180	0	188,721
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 189,867	\$ 67,180	\$ 1,734	\$ 258,781

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUND PRODUCTIONS UNLIMITED, INC. dba
RIGHT STEP ACADEMY OF EXCELLENCE**

**Statement of Revenues, Expenditures,
and Changes In Fund Balances - All Governmental Funds
For the Year Ended June 30, 2000**

Statement B

**GENERAL
FUND**

REVENUES

Local sources:

Other

\$ 9,802

State sources:

Equalization

585,378

Federal sources

32,000

Total revenues

627,180

EXPENDITURES

Current:

Instruction:

Regular programs

267,708

Special programs

7,609

Support services:

Instructional staff support

11,950

General administration

63,803

Plant services

90,997

Food services

6,394

Facilities acquisition and construction

67,180

Total expenditures

505,639

**EXCESS (Deficiency) OF REVENUES
OVER EXPENDITURES**

121,541

FUND BALANCES AT BEGINNING OF YEAR

0

FUND BALANCES AT END OF YEAR

\$ 121,541

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUND PRODUCTIONS UNLIMITED, INC. dba
RIGHT STEP ACADEMY OF EXCELLENCE**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual -General Fund
For the Year Ended June 30, 2000**

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Local sources:			
Other	\$ 0	\$ 9,802	\$ 9,802
State sources:			
Equalization	823,720	585,378	(238,342)
Federal sources	<u>0</u>	<u>32,000</u>	<u>32,000</u>
 Total revenues	 <u>823,720</u>	 <u>627,180</u>	 <u>(196,540)</u>
 EXPENDITURES			
Current:			
Instruction:			
Regular programs	467,061	257,706	209,355
Special programs	7,609	7,609	0
Support services:			
Instructional staff support	11,950	11,950	0
General administration	63,803	63,803	0
Plant services	90,997	90,997	0
Food services	6,394	6,394	0
Facilities acquisition and construction	<u>73,862</u>	<u>67,180</u>	<u>6,682</u>
 Total expenditures	 <u>721,676</u>	 <u>505,639</u>	 <u>216,037</u>
 EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	 <u>102,044</u>	 <u>121,541</u>	 <u>19,497</u>
 FUND BALANCES AT BEGINNING OF YEAR	 <u>0</u>	 <u>0</u>	 <u>0</u>
 FUND BALANCES AT END OF YEAR	 <u>\$ 102,044</u>	 <u>\$ 121,541</u>	 <u>\$ 19,497</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Notes to the General-Purpose Financial Statements**

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**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Notes to the General-Purpose Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying general-purpose financial statements of the Right Step Academy of Excellence have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY The Right Step Academy of Excellence was created by Louisiana Revised Statute (LSA-R.S.) 17:3972 to provide a learning environment that will improve pupil achievement.

Right Step Academy is a nonprofit organization organized under the laws of the state of Louisiana and is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

Right Step Academy is a Type II Grade 9 Charter School. The charter is valid for an initial period of five years commencing on August 1, 1999, and ending on August 31, 2004, subject to renewal after the five-year period.

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Academy is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Academy may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Academy also has no component units, defined by GASB Statement 14 as other legally separate organizations for which the elected Academy members are financially accountable. There are no other primary governments with which the Academy has a significant relationship.

The accounting policies of the Academy conform to generally accepted governmental accounting principles as applicable to nonprofit organizations established under the Louisiana Charter School Law.

B. FUNDS AND ACCOUNT GROUPS The accounts of the Academy are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

Governmental Funds Governmental funds are used to account for the Academy's general government activities, including the collection and disbursement of specific or legally restricted monies and the acquisition or construction of general fixed assets. Governmental funds include:

General fund -- the primary operating fund of the Academy. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Account Groups The *general fixed assets account group* is used to account for all fixed assets of the Academy. The *general long-term obligations account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Notes to the General-Purpose Financial Statements**

of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Other receipts become measurable and available when cash is received by the Academy and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are accrued at June 30.

D. BUDGETS

General Budget Policies The Academy follows these procedures in establishing the budgetary data reflected in the combined financial statements:

The Academy employs the following procedures in establishing the budgetary data recorded in the general-purpose financial statements:

The Director, in consultation with the staff, prepares the Academy's annual operating budget.

The Director presents the budget to the Academy's Board of Directors for review and revision.

The Director and members of the Board of Directors present the proposed budget at an open meeting of the full Board.

The Board of Directors adopts the operating budget.

Encumbrances Outstanding encumbrances lapse at year-end. Authorization for the eventual expenditure will be included in the following year's budget appropriations. Encumbrance accounting is not employed in governmental funds.

Encumbrance accounting (e.g., purchase orders, contracts) is not recognized within the accounting records for budgetary control purposes.

Budget Basis of Accounting The general fund budget is prepared on the modified accrual basis of accounting, a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. The Academy approves budgets at the function level and management can transfer amounts between line items within a function.

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Notes to the General-Purpose Financial Statements**

E. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Academy may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. FIXED ASSETS Fixed assets used in governmental fund types of the Academy are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

G. COMPENSATED ABSENCES All Academy full-time employees earn a minimum of five days of sick leave each year. Sick leave can be accumulated without limitation.

The Academy's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- A. The employees' rights to receive compensation are attributable to services already rendered.
- B. *It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.*

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

- A. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- B. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Only the current portion of the liability for compensated absences is reported in the fund. The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The remainder of the liability is reported in the general long-term obligations account group. The Academy uses approach B to accrue the liability for sick leave.

H. LONG-TERM OBLIGATIONS The Academy reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

I. FUND EQUITY Reservations of fund balances represent amounts of fund balance that are not appropriable for expenditures or are legally segregated for a specific future use.

J. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Notes to the General-Purpose Financial Statements**

K. MEMORANDUM ONLY - TOTAL COLUMNS Total columns on the general-purpose financial statements are captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - CASH AND CASH EQUIVALENTS At June 30, 2000, the Academy had cash and cash equivalents (book balances) totaling \$136,820 as follows:

Interest-bearing demand deposits	<u>\$136,820</u>
----------------------------------	------------------

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the Academy's carrying amount of deposits was \$136,820 and the bank balance was \$152,147. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$52,147 is not secured.

NOTE 3 - RECEIVABLES The receivables of \$53,047 at June 30, 2000, are as follows:

<u>Class of Receivable</u>	<u>General</u>
Intergovernmental - grants:	
Federal	\$32,000
Other	<u>21,047</u>
Total	<u>\$53,047</u>

NOTE 4 - FIXED ASSETS The changes in general fixed assets are as follows:

	Balance <u>July 1, 1999</u>	Additions	Deletions	Balance <u>June 30, 2000</u>
Furniture and equipment	<u>\$ 0</u>	<u>\$67,180</u>	<u>\$ 0</u>	<u>\$67,180</u>

NOTE 5 - RETIREMENT SYSTEMS

Plan description Substantially all Academy employees participate in either the Teachers' Retirement System or the School Employees' Retirement System (the Systems), which are cost-sharing, multiple-employer public employee retirement systems (PERS). Benefit provisions are ultimately approved and amended by the Louisiana Legislature.

Participation in the Teachers' Retirement System is divided into two plans - the Teachers' Regular Plan and the Teachers' Plan A. In general, professional employees (such as teachers and principals) and lunchroom workers are members of the Louisiana Teachers' Retirement System (TRS); other employees, such as custodial personnel and bus drivers, are members of the Louisiana School Employees' Retirement System (LSERS). Generally, all full-time employees are eligible to participate in the system.

With respect to the Teachers' Retirement System Regular Plan, normal retirement is at age sixty with ten years of service, or at any age with twenty years of service. The formula for annual maximum retirement benefits is generally two percent (with less than twenty-five years of service) or 2.5 percent (with twenty-five or more years of service) times the years of creditable service times the average salary of the thirty-six highest successive months (plus \$300 applicable to persons becoming members prior to July 1, 1986).

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Notes to the General-Purpose Financial Statements**

Under the Teachers' Retirement System Plan A, normal retirement is generally at any age with 30 or more years of creditable service, at age 55 with at least 25 years of creditable service and at age 60 with at least 10 years of creditable service. The retirement benefit formula is generally 3% times the years of creditable service times the average salary of the 36 highest successive months plus \$24 per year of service.

Employees participating in the School Employees' Retirement System are eligible for normal retirement after 30 years of service, or after 25 years of service at age 55 or after 10 years of service at age 60. The maximum retirement allowance is computed at 2.5% times the highest 36 months of average salary, times the years of service plus a supplement of \$2.00 per month times the years of service.

Both TRS and LSERS issue annual financial reports. The reports can be obtained by telephoning or writing to the following:

Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123
(225) 925-6446

Louisiana School Employees' Retirement System
Post Office Box 44516
Baton Rouge, Louisiana 70804
(225) 925-6484

Funding Policy Each system is administered and controlled at the state level by a separate board of trustees, with contribution rates approved and amended by the Louisiana Legislature. Benefits of the systems are funded by employee and employer contributions. Benefits granted by the retirement systems are guaranteed by the state of Louisiana under provisions of the Louisiana Constitution of 1974. The Academy's employer contribution for the TRS, as provided by state law, is funded by the state of Louisiana through annual appropriations, by deductions from local ad valorem taxes, and by remittances from the Academy. For the LSERS, the Academy's employer contribution is funded by the state of Louisiana through annual appropriations.

In addition, the employer does not remit to the Teachers' Retirement System, Regular Plan or Plan A, the employer's contribution for the professional improvement program (PIP) portion of payroll. The PIP contribution is made directly to the Retirement System by the state of Louisiana.

Contribution rates (as a percentage of covered salaries) for active plan members as established by the Louisiana Legislature for the year ended June 30, 2000, are as follows:

	<u>Employee</u>	<u>Employer</u>
Louisiana Teachers' Retirement System:		
Regular	8.00%	14.20%
Plan A	9.10%	14.20%
Louisiana School Employees' Retirement System	6.35%	.00%

Total covered payroll of the Academy for TRS - Regular Plan for the year ended June 30, 2000, amounted to \$269,624. Employer contributions for the year ended June 30, 2000:

TRS.....LSERS.....
	Annual Actuarially Required Contribution	Percentage of Annual Required Contribution Paid
<u>Fiscal Year Ending</u>		
June 30, 2000	<u>\$47,518</u>	<u>59.07</u>

	Annual Actuarially Required Contribution	Percentage of Annual Required Contribution Paid
June 30, 2000	<u>\$ 0</u>	<u>0.00</u>

Annual actuarially required contributions for each plan above is based on the plan's annual financial report for that year except for the year ended June 30, 2000. Each annual actuarially required contribution for the year ended June 30, 2000, is based upon each plan's annual financial report for the year ended June 30, 1999, which is the latest information available.

Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Notes to the General-Purpose Financial Statements

NOTE 6 - ACCOUNTS, SALARIES AND OTHER PAYABLES The payables of \$68,326 at June 30, 2000, are as follows:

	<u>General</u>
Salaries	\$30,871
Accounts	<u>37,455</u>
Total	<u>\$68,326</u>

NOTE 7 - COMPENSATED ABSENCES At June 30, 2000, employees of the Academy had accumulated and vested \$1,734 of employee leave benefits, including \$158 of salary-related benefits. These employee leave benefits were computed in accordance with GASB Codification Section C60. This amount is not expected to be paid from current resources; therefore, the liability of \$1,734 is recorded within the general long-term obligations account group.

NOTE 8 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended June 30, 2000:

	<u>Compensated Absences</u>
Balance, beginning of year	\$ 0
Additions	1,734
Deductions	<u>0</u>
Balance, end of year	<u>\$1,734</u>

NOTE 9 - RISK MANAGEMENT The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Academy carries commercial insurance.

NOTE 10 - LITIGATION AND CLAIMS

Grant Disallowances The Academy participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Academy management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 11 - RELATED-PARTY TRANSACTIONS

The Academy has receivables due from the Head Master and two other employees in the amount of \$11,049, \$360 and \$400, respectively. During the fiscal year the employees noted paid into Social Security instead of Teachers' Retirement. Teachers' Retirement was contacted by the Academy to question whether the employees should be in the Teachers' Retirement system. An audit was then conducted by Teachers' Retirement. The audit, which was concluded in June 2000, determined the employees should have been paying into Teachers' Retirement instead of Social Security. The difference between the Social Security that was withheld and the employee portion of Teachers' Retirement was recorded as a receivable from the employees.

Included in salaries payable at June 30, 2000 is \$12,000 which was due to the Head Master as an incentive payment. The receivable due the Academy was withheld from this incentive payment. The receivable from the other two employees was withheld from their July and August 2000 payroll checks.

Prior to his employment by the Academy, the Head Master contracted with the Academy to render such educational services deemed necessary to enable the Academy to open its doors for the 1999-2000 school year. The contract was dated April 1, 1999. The invoice for contract services was for the period April 1 through July 1, 1999. This was prior to the Head Master's employment in July 1999. The contract payment of \$5,005 was charged to the 1999-2000 fiscal year.



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1963 - 2000

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members

Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Shreveport, Louisiana

We have audited the financial statements of Sound Productions Unlimited, Inc., dba Right Step Academy of Excellence, Shreveport, Louisiana, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 11, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying Schedule of Findings as item 00-F1.

Management Letter Items

We noted immaterial instances of noncompliance which we have reported to management of the Academy in a separate letter dated January 11, 2001, included later in this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
January 11, 2001

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Schedule of Findings
For the Year Ended June 30, 2000**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There was an instance of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Schedule of Findings
For the Year Ended June 30, 2000**

PART II - Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

Reference # and title: 00-F1 Late Filing of Report

Entity-wide or program/department-specific: The finding is entity-wide.

Criteria or specific requirement: In accordance with LSA-R.S. 11.173, the Louisiana Legislative Auditor requires audit reports to be filed within six months of the year end of the government.

Condition: The audit report as of and for the year ended June 30, 2000, was filed after that deadline.

Possible asserted effect (cause and effect):

Cause: The auditor could not complete the audit within the established deadline. Being the first year audited and the first year of operations for the Academy contributed to the late filing.

Effect: The Academy is in violation of state regulation.

Recommendations to prevent future occurrences: Future audits should be filed within six months of year-end.

**Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Corrective Action Plan for Current-Year Findings
As of and for the Year Ended June 30, 2000**

Finding reference # and title: **00-F1** **Late Filing of Report**

Condition: The audit report as of and for the year ended June 30, 2000, was filed after the six-month deadline.

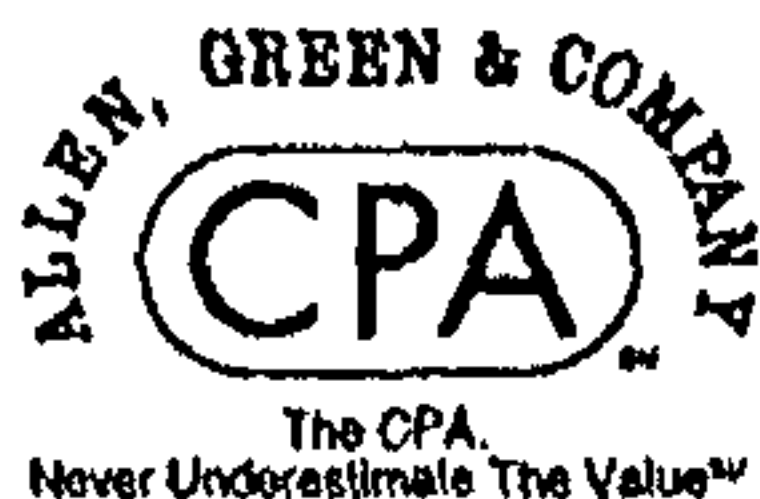
Corrective action planned: The Academy's management will monitor the auditors' progress on future audits in order to assure timely filing. Future audits are expected to be completed timely now that the first audit is behind us.

Person responsible for corrective action:

Dr. Ronnie Banks, Head Master
Right Step Academy of Excellence Charter School
1634 Alma Street
Shreveport, LA 71108

Telephone: (318) 635-3606
Fax: (318) 635-3607

Anticipated completion date: By June 30, 2001.



ALLEN, GREEN & COMPANY, LLP

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1963 - 2000

Management Letter

Board Members

Sound Productions Unlimited, Inc., dba
Right Step Academy of Excellence
Shreveport, Louisiana

In planning and performing our audit of the general-purpose financial statements of Sound Productions Unlimited, Inc., dba Right Step Academy of Excellence, Shreveport, Louisiana for the year ended June 30, 2000, we considered the Academy's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control that is presented for your consideration. This letter does not affect our report dated January 11, 2001, on the financial statements of the Academy. We will review the status of this comment during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. Management's response has also been included. We have performed no audit work to verify the content of the response.

00-M1 Accounting System/Policies

Comment: The Academy's Charter states that the Louisiana Accounting and Uniform Governmental Handbook for Local School Boards will serve as a vehicle for the School's program cost accounting. The Louisiana Accounting and Uniform Governmental Handbook for Local School Boards is not being used.

Recommendation: The Academy should revise its chart of accounts to be consistent with the Louisiana Accounting and Uniform Governmental Handbook for Local School Boards.

Management's Response: The chart of accounts will be revised to adhere to the Louisiana Accounting and Uniform Governmental Handbook for Local School Boards.

00-M2 Review of State Laws

Comment: Various state statutes exist which may apply to the Academy such as the Code of Ethics Law for Public Officials and Employees and the Fiscal Agency and Cash Management Laws.

Recommendation: The Academy should review these laws and obtain assistance from legal counsel or government agencies to determine if either of these laws apply.

Management's Response: We will review these statutes to determine applicability to the Academy.

00-M3 Budget

Comment: The Academy's budgeted revenues exceed actual revenues by \$196,540.

Recommendation: The Academy should closely monitor the budget to actual revenues and expenditures and amend the budget when necessary to reflect more closely the actual revenues and expenditures.

Management's Response: We will monitor the budget to actual revenue and expenditures and amend budgets as necessary.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
January 11, 2001